

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7339**

**BILL NUMBER:** HB 1520

**NOTE PREPARED:** Jan 7, 2003

**BILL AMENDED:**

**SUBJECT:** PERF Vesting Requirements.

**FIRST AUTHOR:** Rep. Frizzell

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill reduces the vesting requirement for a member of the Public Employees' Retirement Fund (PERF) to five years of service from ten years of service.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** The impact appears in the table below:

	<u>State</u>	<u>Municipalities</u>	<u>Total</u>
Additional Unfunded Accrued Liability	\$4.82 M	\$5.16 M	\$9.98 M
Additional Annual Cost	\$1.23 M	\$2.35 M	\$3.59 M
Cost as % of Payroll	0.08%	0.12%	0.11%

The funds affected are the state General Fund (55%) , or approximately \$680,000, and various dedicated funds (45%), or approximately \$560,000. This split represents the proportion of the costs contributed by the state General Fund and the portion contributed by various dedicated funds.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*.

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund.

**Local Agencies Affected:** Those entities with members in the Public Employees' Retirement Fund.

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for the Public Employees' Retirement Fund, 576-1508.

**Fiscal Analyst:** James Sperlik, 317-232-9866.

**Funding-** a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

**Unfunded accrued liability** (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.